

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|-------------------------------|--|--------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name Brevort Township | County Mackinac |
| Fiscal Year End March 31, 2007 | Opinion Date July 17, 2007 | Date Audit Report Submitted to State September 27, 2007 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|---|-------------------------------------|--|------------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC | | Telephone Number 906-495-5952 | |
| Street Address 16978 S. Riley Avenue | | City Kincheloe | State MI |
| | | Zip 49788 | |
| Authorizing CPA Signature <i>Deanna J. Mayer, CPA</i> | | Printed Name Deanna J. Mayer | License Number 1101028546 |

BREVORT TOWNSHIP, MICHIGAN

BASIC FINANCIAL STATEMENTS

March 31, 2007

BREVORT TOWNSHIP, MICHIGAN

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

EDWARD SERWACH

TOWNSHIP TREASURER

DANIEL LITZNER

TOWNSHIP CLERK

SUSAN STALZER

TOWNSHIP TRUSTEE

BURTON RUTLEDGE

TOWNSHIP TRUSTEE

VERN ERSKINE

TABLE OF CONTENTS

| | <u>Page</u> |
|---|--------------------|
| INDEPENDENT AUDITOR’S REPORT | 1 |
| MANAGEMENT’S DISCUSSION AND ANALYSIS | 3 |
| BASIC FINANCIAL STATEMENTS: | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets | 6 |
| Statement of Activities | 7 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 8 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds | 9 |
| Reconciliation of Governmental Funds: | |
| Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 10 |
| Proprietary Fund: | |
| Statement of Net Assets | 11 |
| Statement of Revenues, Expenses, and Changes in Net Assets | 12 |
| Statement of Cash Flows | 13 |
| Fiduciary Fund: | |
| Statement of Net Assets | 14 |
| NOTES TO FINANCIAL STATEMENTS | 15 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Major Funds: | |
| Budgetary Comparison Schedule – General Fund | 27 |
| Budgetary Comparison Schedule – Fire Fund | 28 |
| Budgetary Comparison Schedule – Roads Fund | 29 |

TABLE OF CONTENTS (Continued)

Page

REPORTS ON COMPLIANCE:

| | |
|--|----|
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 30 |
| Schedule of Findings and Responses | 32 |



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Brevort Township
Mackinac County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of Brevort Township, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of Brevort Township, Michigan as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2007, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

July 17, 2007

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets decreased 2.4% from a year ago decreasing from \$3,750,961 to 3,663,386. In a condensed format, the table below shows a comparison of the net assets as of the current date.

In a condensed format, the table below shows the net assets of Brevort Township.

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------|----------------------------|-------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Current Assets | \$ 688,890 | \$ 675,578 | \$ 77,801 | \$ 83,437 | \$ 766,691 | \$ 759,015 |
| Noncurrent Assets | <u>28,013</u> | <u>12,760</u> | <u>3,660,571</u> | <u>3,782,075</u> | <u>3,688,584</u> | <u>3,794,835</u> |
| Total Assets | <u>716,903</u> | <u>688,338</u> | <u>3,738,372</u> | <u>3,865,512</u> | <u>4,455,275</u> | <u>4,553,850</u> |
| Current Liabilities | - | - | 18,889 | 17,889 | 18,889 | 17,889 |
| Noncurrent Liabilities | <u>-</u> | <u>-</u> | <u>773,000</u> | <u>785,000</u> | <u>773,000</u> | <u>785,000</u> |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>791,889</u> | <u>802,889</u> | <u>791,889</u> | <u>802,889</u> |
| Net Assets | | | | | | |
| Invested in Capital Assets - | | | | | | |
| Net of Debt | 28,013 | 12,760 | 2,875,571 | 2,986,075 | 2,903,584 | 2,998,835 |
| Unrestricted (Deficit) | <u>688,890</u> | <u>675,578</u> | <u>70,912</u> | <u>76,548</u> | <u>759,802</u> | <u>752,126</u> |
| Total Net Assets | <u>\$ 716,903</u> | <u>\$ 688,338</u> | <u>\$ 2,946,483</u> | <u>\$ 3,062,623</u> | <u>\$ 3,663,386</u> | <u>\$ 3,750,961</u> |

The current level of unrestricted net assets for our governmental activities stands at \$688,890 or about 185% of expenses. This is within the targeted range set by the Township Board of Trustees during its last budget process.

The following table shows the activities of the Township.

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|----------------------------|------------|-----------------------------|--------------|--------------|--------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Program Revenues | | | | | | |
| Charges for Services | \$ 3,010 | \$ 16,443 | \$ 107,438 | \$ 142,992 | \$ 110,448 | \$ 159,435 |
| Operating Grants | 131,907 | 24,154 | - | - | 131,907 | 24,154 |
| General Revenues | | | | | | |
| Property Taxes | 197,676 | 173,350 | - | - | 197,676 | 173,350 |
| State-Shared Revenues | 46,418 | 45,144 | - | - | 46,418 | 45,144 |
| Investment Earnings (Loss) | 18,175 | 14,188 | (25,870) | (26,505) | (7,695) | (12,317) |
| Other Revenue | 3,949 | 41,134 | 1,998 | 1,942 | 5,947 | 43,076 |
| Total Revenues | 401,135 | 314,413 | 83,566 | 118,429 | 484,701 | 432,842 |
| Program Expenses | | | | | | |
| General Government | 229,372 | 157,165 | - | - | 229,372 | 157,165 |
| Public Safety | 6,154 | 19,810 | - | - | 6,154 | 19,810 |
| Public Works | 137,044 | 115,871 | - | - | 137,044 | 115,871 |
| Sewer | - | - | 199,706 | 213,057 | 199,706 | 213,057 |
| Total Expenses | 372,570 | 292,846 | 199,706 | 213,057 | 572,276 | 505,903 |
| Changes in Net Assets | 28,565 | 21,567 | (116,140) | (94,628) | (87,575) | (73,061) |
| Net Assets – Beginning | 688,338 | 666,771 | 3,062,623 | 2,962,151 | 3,750,961 | 3,628,922 |
| Prior Period Adjustment | - | - | - | 195,100 | - | 195,100 |
| Net Assets – Ending | \$ 716,903 | \$ 688,338 | \$ 2,946,483 | \$ 3,062,623 | \$ 3,663,386 | \$ 3,750,961 |

Governmental Activities

The Township's total governmental revenues increased by approximately \$86,722 primarily due to the continuing increase in property tax values, and an increase in Tribal 2% funds.

Expenses, increased by about \$79,724 during the year. This was primarily the result of increased expenditures for streets and roads and continuing increases in insurance.

Business-Type Activities

The Township's only business-type activity is the sewer. They provide sewer service to approximately 300 customers (residential and commercial) each month. Sewer revenues decreased in 2007 primarily due to fewer penalties and hook ons. Sewer expenses decreased from the prior year from decreased maintenance and depreciation expense.

The Township's Funds

Our analysis of the Township's major funds begins on page 8, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 includes the General Fund, Road, Fire, and Sewer.

The General Fund pays for most of the Township's governmental services. The most significant is general government, which incurred expenses of approximately \$229,372 in 2007. These two services are largely supported by Property Taxes, Revenue Sharing, and Tribal 2% Funds, which are recorded in the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board did not amend the budget to take into account events during the year. Revenues exceeded expectations by \$84,296. Other Township departments under estimated their budget, resulting in total expenditures \$89,672 over budget. This caused the General Fund's fund balance to decrease from \$180,522 a year ago to \$163,646 at March 31, 2007.

Capital Asset and Debt Administration

At the end of 2007, the Township had \$3,688,584 invested in a broad range of capital assets, including land, buildings, and fire equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Mackinac County Road Commission (along with the responsibility to maintain them). The Township reduced its outstanding debt by \$11,000 to an ending balance of \$785,000.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2008 calls for a freeze on property tax rates. This can be accomplished because of the strong growth in our tax base. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions. Also, reductions in State Revenue sharing continues to hurt the township.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Township Clerk's office at 2148 Charles Moran Road, Moran, MI 49760.

Basic Financial Statements

Brevort Township, Michigan

Statement of Net Assets

March 31, 2007

| | Governmental Activities | Business-Type Activities | Totals |
|--|----------------------------|-----------------------------|--------------|
| ASSETS: | | | |
| Current Assets | | | |
| Cash & Equivalents - Unrestricted | \$ 606,924 | \$ 102,907 | \$ 709,831 |
| Internal Loans | 28,698 | (28,698) | - |
| Accounts Receivable | - | 3,592 | 3,592 |
| Taxes Receivable | 53,268 | - | 53,268 |
| Total current assets | 688,890 | 77,801 | 766,691 |
| Noncurrent Assets | | | |
| Capital Assets - Not Depreciated | 7,000 | - | 7,000 |
| Capital Assets (Net of Accumulated Depreciation) | 21,013 | 3,660,571 | 3,681,584 |
| Total noncurrent assets | 28,013 | 3,660,571 | 3,688,584 |
| TOTAL ASSETS | \$ 716,903 | \$ 3,738,372 | \$ 4,455,275 |
| LIABILITIES: | | | |
| Current Liabilities | | | |
| Accrued Payroll Liabilities | \$ - | \$ 6,889 | \$ 6,889 |
| Bonds Payable | - | 12,000 | 12,000 |
| Total current liabilities | - | 18,889 | 18,889 |
| Noncurrent Liabilities | | | |
| Bonds Payable | - | 773,000 | 773,000 |
| Total noncurrent liabilities | - | 773,000 | 773,000 |
| TOTAL LIABILITIES | - | 791,889 | 791,889 |
| NET ASSETS: | | | |
| Invested in Capital Assets - net of related debt | 28,013 | 2,875,571 | 2,903,584 |
| Unrestricted | 688,890 | 70,912 | 759,802 |
| TOTAL NET ASSETS | \$ 716,903 | \$ 2,946,483 | \$ 3,663,386 |

Brevort Township, Michigan

Statement of Activities For the Year Ended March 31, 2007

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets | | |
|----------------------------------|-------------------|-------------------------|---------------------|--|-----------------------------|---------------------|
| | | Charges for Services | Operating Grants | Governmental Activities | Business-type Activities | Total |
| Governmental Activities: | | | | | | |
| General Government | \$ 219,218 | \$ 3,010 | \$ 109,519 | \$ (106,689) | \$ - | \$ (106,689) |
| Public Safety | 9,812 | - | - | (9,812) | - | (9,812) |
| Public Works | 137,044 | - | 22,388 | (114,656) | - | (114,656) |
| Total Governmental Activities | 366,074 | 3,010 | 131,907 | (231,157) | - | (231,157) |
| Business-type Activities: | | | | | | |
| Sewer | 199,706 | 107,438 | - | - | (92,268) | (92,268) |
| Total Business-type Activities | 199,706 | 107,438 | - | - | (92,268) | (92,268) |
| Total Primary Government | <u>\$ 565,780</u> | <u>\$ 110,448</u> | <u>\$ 131,907</u> | <u>(231,157)</u> | <u>(92,268)</u> | <u>(323,425)</u> |
| General Revenues: | | | | | | |
| Taxes | | | | 197,676 | - | 197,676 |
| State Revenue Sharing | | | | 46,418 | - | 46,418 |
| Investment Earnings (Loss) | | | | 18,175 | (25,870) | (7,695) |
| Other | | | | 3,949 | 1,998 | 5,947 |
| Total General Revenues | | | | <u>266,218</u> | <u>(23,872)</u> | <u>242,346</u> |
| Changes in Net Assets | | | | 35,061 | (116,140) | (81,079) |
| Net Assets - Beginning | | | | 688,338 | 3,062,623 | 3,750,961 |
| Net Assets - Ending | | | | <u>\$ 723,399</u> | <u>\$ 2,946,483</u> | <u>\$ 3,669,882</u> |

Brevort Township, Michigan

Balance Sheet Governmental Funds March 31, 2007

| | General | Fire | Roads | Total Governmental Funds |
|-------------------------------------|-------------------|-------------------|-------------------|--------------------------------|
| ASSETS: | | | | |
| Cash & Equivalents - Unrestricted | \$ 123,917 | \$ 246,855 | \$ 236,152 | \$ 606,924 |
| Taxes Receivable | 9,062 | 12,631 | 31,575 | 53,268 |
| Due from Other Funds | 31,258 | 533 | 3,419 | 35,210 |
| | | | | |
| TOTAL ASSETS | <u>\$ 164,237</u> | <u>\$ 260,019</u> | <u>\$ 271,146</u> | <u>\$ 695,402</u> |
| | | | | |
| LIABILITIES: | | | | |
| Due to Other Funds | \$ 591 | \$ 5,921 | \$ - | \$ 6,512 |
| | | | | |
| TOTAL LIABILITIES | <u>591</u> | <u>5,921</u> | <u>-</u> | <u>6,512</u> |
| | | | | |
| FUND BALANCES: | | | | |
| Unreserved: | | | | |
| Undesignated | <u>163,646</u> | <u>254,098</u> | <u>271,146</u> | <u>688,890</u> |
| | | | | |
| TOTAL FUND BALANCES | <u>163,646</u> | <u>254,098</u> | <u>271,146</u> | <u>688,890</u> |
| | | | | |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 164,237</u> | <u>\$ 260,019</u> | <u>\$ 271,146</u> | |

Reconciliation to amounts reported for governmental activities in the statement of net assets:

| | |
|--|-------------------|
| Capital assets used by governmental activities | <u>28,013</u> |
| Net assets of governmental activities | <u>\$ 716,903</u> |

Brevort Township, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended March 31, 2007

| | General | Fire | Roads | Totals Governmental Funds |
|--|-------------------|-------------------|-------------------|---------------------------------|
| REVENUES: | | | | |
| Taxes | \$ 95,367 | \$ 54,438 | \$ 94,289 | \$ 244,094 |
| State Sources | 91,997 | 22 | 22,388 | 114,407 |
| Local Sources | 17,500 | - | - | 17,500 |
| Charges for Services | 3,010 | - | - | 3,010 |
| Interest & Rentals | 928 | 8,211 | 9,036 | 18,175 |
| Other Revenue | 3,694 | 255 | - | 3,949 |
| TOTAL REVENUES | 212,496 | 62,926 | 125,713 | 401,135 |
| EXPENDITURES: | | | | |
| General Government | 219,218 | - | - | 219,218 |
| Public Safety | 3,658 | 21,407 | - | 25,065 |
| Health & Welfare | 6,496 | - | - | 6,496 |
| Public Works | - | - | 137,044 | 137,044 |
| TOTAL EXPENDITURES | 229,372 | 21,407 | 137,044 | 387,823 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (16,876) | 41,519 | (11,331) | 13,312 |
| FUND BALANCES, APRIL 1 | 180,522 | 212,579 | 282,477 | 675,578 |
| FUND BALANCES, MARCH 31 | \$ 163,646 | \$ 254,098 | \$ 271,146 | \$ 688,890 |

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2007**

| | |
|---|-----------|
| Net changes in fund balances – total governmental funds | \$ 13,312 |
|---|-----------|

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay, \$17,756 exceeded depreciation expense (\$2,503).

15,253

| | |
|---|------------------|
| Changes in net assets of governmental funds | <u>\$ 28,565</u> |
|---|------------------|

Brevort Township, Michigan

Statement of Net Assets Proprietary Funds March 31, 2007

ASSETS:

Current Assets

| | |
|-----------------------------------|------------|
| Cash & Equivalents - Unrestricted | \$ 102,907 |
| Accounts Receivable | 3,592 |
| Due from Other Funds | 3,318 |
| Total Current Assets | 109,817 |

Noncurrent assets:

| | |
|--|-----------|
| Capital Assets (net of accumulated depreciation) | 3,660,571 |
|--|-----------|

| | |
|--------------|--------------|
| TOTAL ASSETS | \$ 3,770,388 |
|--------------|--------------|

LIABILITIES:

Current Liabilities

| | |
|-----------------------------|----------|
| Accrued Payroll Liabilities | \$ 6,889 |
| Due to Other Funds | 32,016 |
| Bonds Payable | 12,000 |
| Total Current Liabilities | 50,905 |

Noncurrent Liabilities:

| | |
|---------------|---------|
| Bonds Payable | 773,000 |
|---------------|---------|

| | |
|-------------------|---------|
| TOTAL LIABILITIES | 823,905 |
|-------------------|---------|

NET ASSETS:

| | |
|--|-----------|
| Invested in Capital Assets (net of related debt) | 2,875,571 |
| Unreserved | 70,912 |

| | |
|------------------|-----------|
| TOTAL NET ASSETS | 2,946,483 |
|------------------|-----------|

| | |
|----------------------------------|--------------|
| TOTAL LIABILITIES AND NET ASSETS | \$ 3,770,388 |
|----------------------------------|--------------|

Brevort Township, Michigan**Statement of Revenues, Expenses, and
Changes in Net Assets - Proprietary Funds
For the Year Ended March 31, 2007**

| | <u>Sewer</u> |
|---|----------------------------|
| OPERATING REVENUES: | |
| Charges for Services | \$ 107,438 |
| Other | <u>1,998</u> |
| Total Operating Revenues | <u>109,436</u> |
| OPERATING EXPENSES: | |
| Employee Wages & Benefits | 14,946 |
| Depreciation | 121,504 |
| Legal | 2,612 |
| Supplies | 3,105 |
| Insurance | 5,730 |
| Repairs & Maintenance | 33,701 |
| Small Tools & Equipment | 11,370 |
| Utilities | 6,009 |
| Miscellaneous | <u>729</u> |
| Total Operating Expenses | <u>199,706</u> |
| Operating Income (Loss) | <u>(90,270)</u> |
| NON-OPERATING REVENUES (EXPENSES): | |
| Interest Expense | <u>(25,870)</u> |
| Total Non-Operating Revenues (Expenses) | <u>(25,870)</u> |
| Changes in Net Assets | (116,140) |
| NET ASSETS, APRIL 1 | <u>3,062,623</u> |
| NET ASSETS, MARCH 31 | <u><u>\$ 2,946,483</u></u> |

**Statement of Cash Flows
Proprietary Funds
For the Year Ended March 31, 2007**

| | Total Enterprise Funds |
|---|------------------------------|
| | <hr/> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Receipts from Customers/payments (to) from other governmental units | \$ 109,436 |
| Payments to Suppliers | (56,577) |
| Payments to Employees | <hr/> (14,946) |
| Net Cash Provided (Used) by Operating Activities | <hr/> 37,913 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Principal Payments | (11,000) |
| Interest Payments | <hr/> (25,870) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <hr/> (36,870) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,043 |
| Balances - Beginning of the Year | <hr/> 101,864 |
| Balances - End of the Year | <hr/> <hr/> \$ 102,907 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Operating Income (Loss) | \$ (90,270) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Depreciation | 121,504 |
| Change in Assets and Liabilities: | |
| Due to Other Funds | <hr/> 6,679 |
| Net Cash Provided by Operating Activities | <hr/> <hr/> \$ 37,913 |

Statement of Fiduciary Net Assets
Fiduciary Fund
March 31, 2007

| | |
|-------------------------|--|
| | <u>Current Tax Collection Fund</u> |
| ASSETS: | |
| Cash & Cash Equivalents | <u>\$ 90,051</u> |
| TOTAL ASSETS | <u><u>\$ 90,051</u></u> |
| LIABILITIES: | |
| Due to Others | <u>\$ 90,051</u> |
| TOTAL LIABILITIES | <u><u>\$ 90,051</u></u> |

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Brevort Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Reporting Entity:

Brevort Township ("The Township") is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, public works, community enrichment, and development and health services.

The Township, for financial purposes, includes all of the funds relevant to the operations of Brevort Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Brevort Township.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The Brevort Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st.

The 2006 taxable valuation of Brevort Township totaled \$27,728,469 on which ad valorem taxes levied consisted of 1.3605 mills for the Township Operating, 0.9820 mills for Library, 1.9640 mills for Fire, and 2.9460 mills for Roads, raising \$37,725 for Operating, \$27,229 for Library, \$54,459 for Fire, and \$81,688 for Roads. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Fire Fund**

This Fund accounts for millage revenue to support emergency fire services in the Township.

Road Fund

This Fund accounts for activities that create and maintain roads in Brevort Township.

The Township reports the following major proprietary fund:

Sewer

This Fund accounts for wastewater disposal and treatment operations in the Township.

Additionally, the Township reports the following fund types:

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose, and agency). Because by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories – All inventories, including the cost of supplies, are expensed when purchased.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, water systems, sewer systems, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

| | |
|-----------------------|----------------|
| Buildings | 40 to 60 years |
| Building Improvements | 15 to 30 years |
| Vehicles | 3 to 5 years |
| Office Equipment | 5 to 7 years |
| Computer Equipment | 3 to 7 years |
| Sewer Mains | 40 to 60 years |

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grant agreements.

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each March, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing April 1 and lapses on March 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Budget Violations – Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Expenditures that exceeded appropriations by material amounts are as follows:

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------|-------------------------|---------------|-----------------|
| General Fund: | | | |
| General Government | \$ 139,700 | \$ 229,372 | \$ (93,198) |
| Road Fund: | | | |
| Public Works | 77,500 | 137,044 | (59,544) |

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Fiduciary Funds</u> |
|---|------------------------------------|-------------------------------------|----------------------------|
| Cash and Cash Equivalents – Unrestricted | \$ 606,924 | \$ 102,907 | \$ 90,051 |

The breakdown between deposits and investments is as follows:

| | <u>Primary Government</u> | <u>Fiduciary Funds</u> |
|--|-------------------------------|----------------------------|
| Bank Deposits (checking and savings accounts) | \$ 709,831 | \$ 90,051 |
| Total | <u>\$ 709,831</u> | <u>\$ 90,051</u> |

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township does not have an investment policy.

Credit risk. The Township has no investments for which ratings are required.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$745,231 of the Township's bank balance of \$845,231 was exposed to credit risk because it was uninsured and uncollateralized.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| Governmental Activities: | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 7,000 | \$ - | \$ - | \$ 7,000 |
| <i>Capital assets being depreciated:</i> | | | | |
| Building | 29,400 | - | - | 29,400 |
| Equipment | 110,500 | 17,756 | - | 128,256 |
| Subtotal | 139,900 | 17,756 | - | 157,656 |
| <i>Less accumulated depreciation for:</i> | | | | |
| Building | (23,640) | (1,440) | - | (25,080) |
| Equipment | (110,500) | (1,063) | - | (111,563) |
| Subtotal | (134,140) | (2,503) | - | (136,643) |
| Net Capital Assets Being Depreciated | 5,760 | 15,253 | - | 21,013 |
| Total Capital Assets – Net of Depreciation | \$ 12,760 | \$ 15,253 | \$ - | \$ 28,013 |

Depreciation expense was charged to programs of the primary government as follows:

| | |
|-------------------------------|----------|
| Governmental Activities: | |
| General Government | \$ 2,503 |
| Total Governmental Activities | \$ 2,503 |

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| Business-type Activities: | | | | |
| <i>Capital assets being depreciated:</i> | | | | |
| Sewer Mains | \$ 4,178,546 | \$ - | \$ - | \$ 4,178,546 |
| Buildings | 165,000 | - | - | 165,000 |
| Equipment | 115,200 | - | - | 115,200 |
| Subtotal | 4,458,746 | - | - | 4,458,746 |
| <i>Less accumulated depreciation for:</i> | | | | |
| Sewer Mains | (574,550) | (104,484) | - | (679,034) |
| Buildings | (33,000) | (5,500) | - | (38,500) |
| Equipment | (69,121) | (11,520) | - | (80,641) |
| Subtotal | (676,671) | (121,504) | - | (798,175) |
| Total Capital Assets – Net of Depreciation | \$ 3,782,075 | \$ (121,504) | \$ - | \$ 3,660,571 |

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Township reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

| | | DUE TO OTHER FUNDS | | | | |
|----------------------|---------|--------------------|--------|----------|----------|-----------|
| DUE FROM OTHER FUNDS | | General | Fire | Roads | Sewer | Total |
| | General | \$ - | \$ - | \$ 591 | \$ - | \$ 591 |
| | Fire | 5,921 | - | - | - | 5,921 |
| | Sewer | 25,337 | 533 | 2,828 | 3,318 | 32,016 |
| | Total | \$ 31,258 | \$ 533 | \$ 3,419 | \$ 3,318 | \$ 38,528 |

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6 - LONG-TERM DEBT:

Long-Term Debt - The bonds payable reflected in the basic financial statements consist of general obligation notes incurred by Brevort Township. The Township has pledged the general full faith and credit of the Township for the payment of principal and interest on the bonds. The user fees of the sewer fund are used as security for revenue bonds on the sewer fund.

Changes in long-term debt during the year ending March 31, 2007 are summarized as follows:

| | Balance 04/01/06 | Additions | Deductions | Balance 03/31/07 | Due Within One Year |
|---|---------------------|-------------|------------------|---------------------|---------------------------|
| \$842,000 Mackinac County Sewage Disposal System Bonds for Brevort Township dated December 20, 1999, due in annual installments, increasing from \$10,000 to \$46,000 through December 1, 2032, with interest of 3.25% semi-annually. | \$ 796,000 | \$ - | \$ 11,000 | \$ 785,000 | \$ 12,000 |
| TOTAL LONG-TERM OBLIGATIONS | \$ 796,000 | \$ - | \$ 11,000 | \$ 785,000 | \$ 12,000 |

NOTE 6 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

| <u>Year End March 31</u> | <u>Business-type Activities</u> | |
|--------------------------|---------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2007 | 12,000 | 25,513 |
| 2008 | 12,000 | 25,122 |
| 2009 | 13,000 | 24,733 |
| 2010 | 14,000 | 24,310 |
| 2011 | 15,000 | 23,855 |
| 2012-2016 | 82,000 | 111,735 |
| 2017-2021 | 99,000 | 97,240 |
| 2022-2026 | 117,000 | 80,008 |
| 2027-2031 | 145,000 | 59,442 |
| 2032-2036 | 185,000 | 33,627 |
| 2037-2038 | 91,000 | 4,453 |
| Total | <u>\$ 785,000</u> | <u>\$ 510,038</u> |

Interest expense in the Enterprise funds is included totally as a direct expense of water operations.

NOTE 7 - DEFINED CONTRIBUTION (MONEY PURCHASE) PENSION PLAN

The Township maintains a pension plan for its salaried employees that are administered by the Travelers Insurance Company, acting as an Investment Fiduciary. This plan is a defined contribution pension plan for Michigan Township employees. All salaried employees are eligible to participate in the plan. There is no minimum age or service requirement. The employer's contribution for each participant will be calculated based upon the basic annual rate of compensation paid to each employee.

All participants are 100% vested at all times. A participant will attain his normal retirement age on the date he attains age 65 or, if later, on the 10th anniversary of the official's entry date. Early retirement is permitted at any time after attaining age 55.

The Townships current year contribution to the plan amounted to \$3,366. Total wages for all employees in the plan amounted to \$27,006 for the year ended March 31, 2007. Total wages for all employees amounted to \$82,937 for the year ended March 31, 2007.

NOTE 8 - RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage.

NOTE 8 - RISK MANAGEMENT (Continued)

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

NOTE 9 - CONTINGENT LIABILITIES

The Township has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at March 31, 2007.

NOTE 10 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Segment information for the year ended March 31, 2007, is as follows:

| | <u>Sewer</u> |
|--------------------------------|--------------|
| Nonoperating revenue (expense) | \$ (25,870) |
| Operating income (loss) | (90,270) |
| Changes in net assets | (116,140) |
| Operating revenues | 109,436 |
| Operating expenses | 199,706 |
| Operating transfers – net | - |
| Depreciation | 121,504 |
| Total assets | 3,770,388 |
| Current liabilities | 50,905 |
| Long-term debt payable | 773,000 |
| Beginning net assets | 3,062,623 |
| Ending net assets | 2,946,483 |
| Cash provided by: | |
| Operating activities | 37,913 |
| Capital financing | (36,870) |
| Investing | - |
| Beginning cash | 101,864 |
| Ending cash | 102,907 |

NOTE 11 - SUBSEQUENT EVENTS

The Township was involved in an appeal by Enbridge Energy of personal property taxes consisting of its pipeline that runs through approximately 200 townships, which includes Brevort Township.

On July 30, 2007, the case was resolved with a settlement. The amount of the potential loss can be calculated by applying the millage rate to the reduction in the amount of taxable value. The amount of the reduction in taxable value for each year of the tax years is as follows:

| | | |
|------|----|--------|
| 2003 | \$ | 12,223 |
| 2004 | | 13,683 |
| 2005 | | 15,153 |
| 2006 | | 8,531 |
| 2007 | | 6,413 |

Required Supplementary Information

Brevort Township, Michigan**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-----------------|----------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ 64,300 | \$ 64,300 | \$ 95,367 | \$ 31,067 |
| State Sources | 46,200 | 46,200 | 91,997 | 45,797 |
| Local Sources | - | - | 17,500 | 17,500 |
| Charges for Services | 8,700 | 8,700 | 3,010 | (5,690) |
| Interest & Rentals | 1,000 | 1,000 | 928 | (72) |
| Other Revenue | 8,000 | 8,000 | 3,694 | (4,306) |
| TOTAL REVENUES | 128,200 | 128,200 | 212,496 | 84,296 |
| EXPENDITURES: | | | | |
| General Government: | | | | |
| Supervisor | 6,600 | 6,600 | 6,600 | - |
| Elections | 3,500 | 3,500 | 2,494 | 1,006 |
| Clerk | 9,460 | 9,460 | 9,400 | 60 |
| Assessor | 18,000 | 18,000 | 17,545 | 455 |
| Treasurer | 14,360 | 14,360 | 11,983 | 2,377 |
| Office | 5,450 | 5,450 | 2,857 | 2,593 |
| Township Hall | 6,900 | 6,900 | 43,456 | (36,556) |
| Board of Review | 4,440 | 4,440 | 3,840 | 600 |
| Cemetery | 2,000 | 2,000 | 764 | 1,236 |
| Other general expenditures | 55,310 | 55,310 | 120,279 | (64,969) |
| Total General Government | 126,020 | 126,020 | 219,218 | (93,198) |
| Public Safety: | | | | |
| Zoning | 5,000 | 5,000 | 3,658 | 1,342 |
| Total Public Safety | 5,000 | 5,000 | 3,658 | 1,342 |
| Health & Welfare: | | | | |
| Ambulance | 8,680 | 8,680 | 6,496 | 2,184 |
| Total Health & Welfare | 8,680 | 8,680 | 6,496 | 2,184 |
| TOTAL EXPENDITURES | 139,700 | 139,700 | 229,372 | (89,672) |
| EXCESS OF REVENUES OVER EXPENDITURES | \$ (11,500) | \$ (11,500) | (16,876) | \$ (5,376) |
| FUND BALANCE, APRIL 1 | | | 180,522 | |
| FUND BALANCE, MARCH 31 | | | \$ 163,646 | |

Brevort Township, Michigan**Required Supplementary Information
Budgetary Comparison Schedule
Fire Fund
For the Year Ended March 31, 2007**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|--------------|----------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ 51,700 | \$ 51,700 | \$ 54,438 | \$ 2,738 |
| State Sources | - | - | 22 | 22 |
| Interest & Rentals | 3,500 | 3,500 | 8,211 | 4,711 |
| Other Revenue | - | - | 255 | 255 |
| TOTAL REVENUES | 55,200 | 55,200 | 62,926 | 7,726 |
| EXPENDITURES: | | | | |
| Public Safety | 51,700 | 51,700 | 21,407 | 30,293 |
| TOTAL EXPENDITURES | 51,700 | 51,700 | 21,407 | 30,293 |
| EXCESS OF REVENUES OVER EXPENDITURES | \$ 3,500 | \$ 3,500 | 41,519 | \$ 38,019 |
| FUND BALANCE, APRIL 1 | | | 212,579 | |
| FUND BALANCE, MARCH 31 | | | \$ 254,098 | |

Brevort Township, Michigan**Required Supplementary Information
Budgetary Comparison Schedule
Roads Fund
For the Year Ended March 31, 2007**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------|---------------------|-----------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ 77,500 | \$ 77,500 | \$ 94,289 | \$ 16,789 |
| State Sources | - | - | 22,388 | 22,388 |
| Interest & Rentals | 7,000 | 7,000 | 9,036 | 2,036 |
| TOTAL REVENUES | 84,500 | 84,500 | 125,713 | 41,213 |
| EXPENDITURES: | | | | |
| Public Works | 77,500 | 77,500 | 137,044 | (59,544) |
| TOTAL EXPENDITURES | 77,500 | 77,500 | 137,044 | (59,544) |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>\$ 7,000</u> | <u>\$ 7,000</u> | (11,331) | <u>\$ (18,331)</u> |
| FUND BALANCE, APRIL 1 | | | 282,477 | |
| FUND BALANCE, MARCH 31 | | | <u>\$ 271,146</u> | |

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Township of Brevort
Mackinac County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Brevort Township, Michigan as of and for the year ended March 31, 2007, which collectively comprise Brevort Township's basic financial statements and have issued our report thereon dated July 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Brevort Township, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting, item 06-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brevort Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 06-2.

We noted certain matters that we reported to management of the Brevort Township in a separate letter dated July 17, 2007.

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

July 17, 2007

Section II – Financial Statement Findings

Significant Deficiencies – Internal Control

Segregation of Duties

Finding 06-1

Condition/Criteria: In our assessment of the internal control structure of the Township, we noted that bookkeeping duties are handled by one individual including accounts receivable, accounts payable, posting to the general ledger, reconciling, and depositing funds. This person also handles bank deposits.

Effect: Lack of segregation of duties increases the risk that errors, omission, and irregularities could occur and not be detected in a timely manner.

Cause of Condition: Sufficient resources and staff are not available to adequately segregate these functions. Additionally, the benefit of separating these duties does not appear to exceed the costs associated with the added personnel.

Recommendation: The Board should be aware of the potential weaknesses in the system and provide appropriate oversight or assistance to personnel when cost beneficial.

Response: The Board has implemented compensating controls to reduce the risks discussed above.

Significant Deficiencies – Non-Compliance

Expenditures in Excess of Appropriations—Budgetary Funds

Finding 06-2

Condition: Our examination of procedures used by the Township to adopt and maintain operating budgets for the Township's budgetary fund revealed the following instances of noncompliance with the provisions of Public Act 621 of 1978, as amended, the Uniform Budgeting and Accounting Act.

The Township's 2006-07 General Appropriations Act (budget) provided for expenditures of the General Fund and Road Fund to be controlled to the activity level. As detailed, actual 2006-07 expenditures exceeded the board's approved budget allocations for some general fund and road fund activities.

During the fiscal year ended March 31, 2007, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund and Road Fund on page 27 & 29 of the financial statements.

Criteria: The expenditures of funds in excess of appropriations is contrary to the provisions of Public Act 621 of 1978, as amended.

Recommendation: We recommend that the Township and personnel responsible for administering the activities of the various funds of the Township, develop budgetary control procedures for the General Fund and Road Fund, which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

Management's Response—Corrective Action Plan: Management has agreed to correct the problem by monitoring the budgets more closely and performing budget amendments on a timely basis.



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

Board of Trustees
Brevort Township
Mackinac County, Michigan

We have audited the financial statements of Brevort Township, Michigan for the year ended March 31, 2007, and have issued our report thereon dated July 17, 2007. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Brevort Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Brevort Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability. Useful lives of Capital Assets are an example of the Township's accounting estimates.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process. Significant audit adjustments were made to correct various errors. In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's basic financial statements or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

Fund Levels in QuickBooks

The Township used QuickBooks to record their transactions and reconcile their bank statements. Only one fund is used to record all of the Townships transactions in QuickBooks. It is recommended that the Township set up separate funds within QuickBooks to record the transactions for the General Fund, Fire Fund, Road Fund, and Tax Fund.

Policies

We recommend that the following policies be adopted: Credit Card Use, Authorized Investments, Conflict of Interest, Capital Asset Capitalization, and Purchasing/Procurement.

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing any of the above recommendations, please contact us.

ACH Policy

The Township has not adopted an ACH Policy in accordance with Pubic Act 738 of 2002. A policy should be adopted before making any payments using the ACH (Automated Clearing House) system (wire transfer).

Conflict of Interest Policy/Competitive Bid Policy

The board should adopt a conflict of interest policy to provide a procedure to be followed when conflicts occur relative to voting on matters with related parties. A competitive bid policy should also be implemented with procedures to be followed when requesting bids for larger Township purchases.

Fraud Policy

With the implementation of Statement of Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

Accrual Basis of Accounting

The accrual basis of accounting must be implemented into the accounting system to be sure deposits/disbursements are posted in the period the income/expenditure was incurred.

Personal Property Taxes

Currently, the Township is not recording the amount of outstanding delinquent personal property taxes that are due to the Township in the general ledger. It is recommended the Township record the amount of outstanding delinquent personal property taxes in the general ledger for each fund that has a tax levy. The Township should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Conclusion

This letter is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, pass through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

July 17, 2007